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To: Minister Jonathan Wilkinson Date:
Pour:

Object: **MEETING WITH DAVIE SHIPBUILDING**
Objet:

From / Robert Wight, DG, Major Projects
De:

Andy Smith, Deputy Commissioner, Strategy and Shipbuilding

Via: Jeffery Hutchinson, Commissioner

19 NOV. 2018

Additional approvals:
Autre(s) approbation(s):

☒ Material for the Minister
Documents pour le Ministre

☐ Your Signature
Votre signature

☐ Information

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Canada

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SCENARIO NOTE

MEETING WITH DAVIE SHIPBUILDING

s.20(1)(c)

s.21(1)(b)

Overview

- You will be meeting with James Davies, the President of Davie Shipbuilding. The company has recently been in regular contact with senior-level officials [REDACTED]
- [REDACTED]
- Davie Shipbuilding is an important member of the Canadian maritime industry. Although they do not build large vessels under the National Shipbuilding Strategy, they have undertaken major refit and conversion projects that maintain essential fleet capabilities.
- Davie is encouraged to continue competing for Government of Canada work.

1. Issue (National Shipbuilding Strategy)

The National Shipbuilding Strategy (NSS) was announced in 2010 as a long term industrial strategy to renew the Royal Canadian Navy (RCN) and Canadian Coast Guard (CCG) fleets. A competitive process was held to select two shipyards that would build the large vessels. This approach would provide the shipyards with the long term commitment to make investments in their infrastructure and enable better planning. In October 2011, Irving Shipbuilding and Seaspan's Vancouver Shipyards were selected as the respective combatant and non-combatant build yards. Davie Shipbuilding ("Davie") applied but was not selected because it was under creditor protection. It was subsequently bought in 2012 by Europe-based Inoce Group. Through the NSS, Davie has the opportunity to bid on individual small-vessel construction projects as well as ship repair, refit and maintenance contracts.

In August 2018, following media reports alluding to changes in the National Shipbuilding Strategy, Minister Brison responded that there were no changes planned or contemplated to the National Shipbuilding Strategy that would alter the role Irving or Seaspan play as the two principals in the strategy and that further opportunities exist for other shipyards, including Davie, for small vessel construction, conversion, maintenance, repair and refit.

Under the NSS, the Polar Icebreaker is planned to be built at Vancouver Shipyards (VSY) following the RCN Joint Support Ship (JSS) project. [REDACTED]

s.20(1)(c)

s.21(1)(b)

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Minister's Objective

- **Reiterate Minister Brison's message that there are no planned or contemplated changes to the National Shipbuilding Strategy, and that Davie is encouraged to continue participating in the strategy through small vessel construction, and conversion, maintenance, repair, and refit.**

Key Messages:

- **The Government remains committed to Canadian Shipbuilding as supported by the National Shipbuilding Strategy.**
- **I encourage Davie to continue competing for small vessel construction, and conversion, maintenance, repair and refit of all vessels.**

2. Issue (Commercial Icebreakers)

In August 2018, Davie was awarded a \$610 million contract for the acquisition and to begin the conversion of three commercial medium icebreakers. The three icebreakers were brought to Canada in August where the first vessel is undergoing regulatory compliance work in anticipation of it entering service in December for the 2018 – 2019 icebreaking season.

Engineering work, a requirement for conversion, has started for the other two icebreakers, [REDACTED]

[REDACTED] A meeting is scheduled next week (November 26)

[REDACTED] The first icebreaker will return to the Davie shipyard to complete its conversion work once the third icebreaker is in service. The project is on schedule.

s.20(1)(c)

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s.21(1)(a)

s.21(1)(b)

Minister's Objective

- [REDACTED]

Key Messages:

- [REDACTED]

- **CCG will provide its approval at the necessary decision points for projects as quickly as possible.**

- [REDACTED]

3. Issue (CCGS Pierre Radisson)

The icebreaker CCGS Pierre Radisson was scheduled to be in dry dock for repair work, maintenance, and regulatory inspections from the end of October to early December 2018. The tender for this work was issued on September 20 and closed on October 10, 2018.

New Year.

PSPC is preparing to retender the work package in the

s.21(1)(a)

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Minister's Objective

[REDACTED]

Key Messages:

[REDACTED]

4. Issue (Recent Repair Work at Davie)

Under the NSS, all shipyards are able to compete for repair, refit, and maintenance work. Contracts are regularly awarded to Davie Shipbuilding for such work as their dry dock is one of the few capable of handling CCG's largest ships.

This table presents the recent contracts that Davie has had to refit and repair CCG ships:

In millions of dollars by fiscal year

CCGS	2014 – 15	2015 – 16	2016 – 17	2017 – 18	2018 – 19	Total
Louis S. St-Laurent			13.981	6.376		20.357
Des Groseilliers				4.416	1.782	6.198
Earl Grey	13.658	2.737	0.645			17.040
Henry Larsen		19.651	3.351			23.002
TOTAL	13.658	22.388	17.977	10.792	1.782	66.597

**Note that this does not include money related to the acquisition and conversion of the three interim medium icebreakers.*

Minister's Objective

- [REDACTED]

Key Messages:

- **CCG values the relationship it has with Davie and the important role it plays in the maintenance of the CCG fleet.**

- [REDACTED]

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5. Issue (Royal Canadian Navy Vessels)

Halifax Class Maintenance

Shipbuilding, maintenance, refits, and repair projects for the Royal Canadian Navy (RCN) are in accordance with the NSS. Davie has the opportunity to bid on small-vessel construction projects, and repair and maintenance contracts. Most recently, an Advanced Contract Award Notice (ACAN) was published for Davie along with Irving Shipbuilding and Seaspan's Vancouver Shipyards to maintain and support the RCN's frigates. The combined value of the contracts is \$7 billion. The vessel maintenance work is expected to begin in 2021 and is subject to reaching a contractual agreement between Public Services and Procurement Canada (PSPC) and the shipyard.

s.21(1)(a)

Future Auxiliary Oiler Replenishment Capability

Davie Shipbuilding's most significant recent project was the refit of the MV *Asterix* to serve as an interim auxiliary oiler replenishment vessel, which entered into service in January 2017. The MV *Asterix* is an interim solution until the Joint Supply Ships are brought into service, anticipated in 2022 – 2023. Davie has lobbied for the RCN to acquire a second similar vessel (MV *Obelix*), however, the Government of Canada has consistently indicated that this is not an option being pursued.

Minister's Objective

- No points to register.

Key Messages:

- No points to register.